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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

REAL ESTATE ACTIVITY AND MORTGAGE ACTIVITY

Real estate activity continued to be brisk during the month of March. Our national index showed a reading of 19.3 points above normal. Although this was slightly lower than the February reading of 20.6, it was higher than any March figure since 1950, and substantially higher than the 3.3 of a year ago.

Mortgage activity also continued to roll along, although it slowed a bit from the February pace. Our national mortgage activity index read 172.6 in March, compared with 179.0 in February. The current March figure is well above the 150.0 of a year ago, the highest for the month since 1946.

The outlook for real estate and mortgage activity continues to be good. There is some talk of tightening FHA-VA down-payment requirements, and there is no question that such a move will bring a slowdown. However, most of the tightening will be directed at no-down-payment VA loans where the amount of the loan also covers closing costs. There is good reason to believe that the majority of veterans will be able to pay the \$200-\$500 closing costs once they are required to do so. Consequently, we believe that the tightening currently being considered will not have a crippling effect on real estate activity, even though it may knock a few buyers out of the market.

There are already signs that no-down-payment, 30-year VA's are becoming harder to get. Replies to a nationwide survey we conducted among mortgage lenders indicated that a good many lenders throughout the country are already tightening their terms. Furthermore, most of them look for the supply of funds to tighten as the year runs on.

Regardless of present talk of a tighter Government credit policy, you can be certain that Washington will not shake off the housing boom. We have already seen that housing and real estate activity can be stimulated very quickly by more lenient credit terms. Furthermore, there is still an enormous pool of veterans that have not availed themselves of their VA home loan privileges. In addition, the politics of boom prosperity are not apt to be lost on those who have their eyes already focused on next year's elections.

The slight stiffening of interest rates that has been in progress for the last few months continued in March.

AVERAGE INTEREST RATE OF RECORDED MORTGAGES IN 12 MAJOR CITIES OF THE UNITED STATES

Mar. '53	5.007%	Aug. '54	5.082%
Jan. '54	5.187	Sept. '54	5.107
Feb. '54	5.240	Oct. '54	5.092
Mar. '54	5.197	Nov. '54	5.063
Apr. '54	5.173	Dec. '54	5.033
May '54	5.151	Jan. '55	5.045
June '54	5.114	Feb. '55	5.070
July '54	5.089	Mar. '55	5.087

RESIDENTIAL CONSTRUCTION VOLUME

1950.

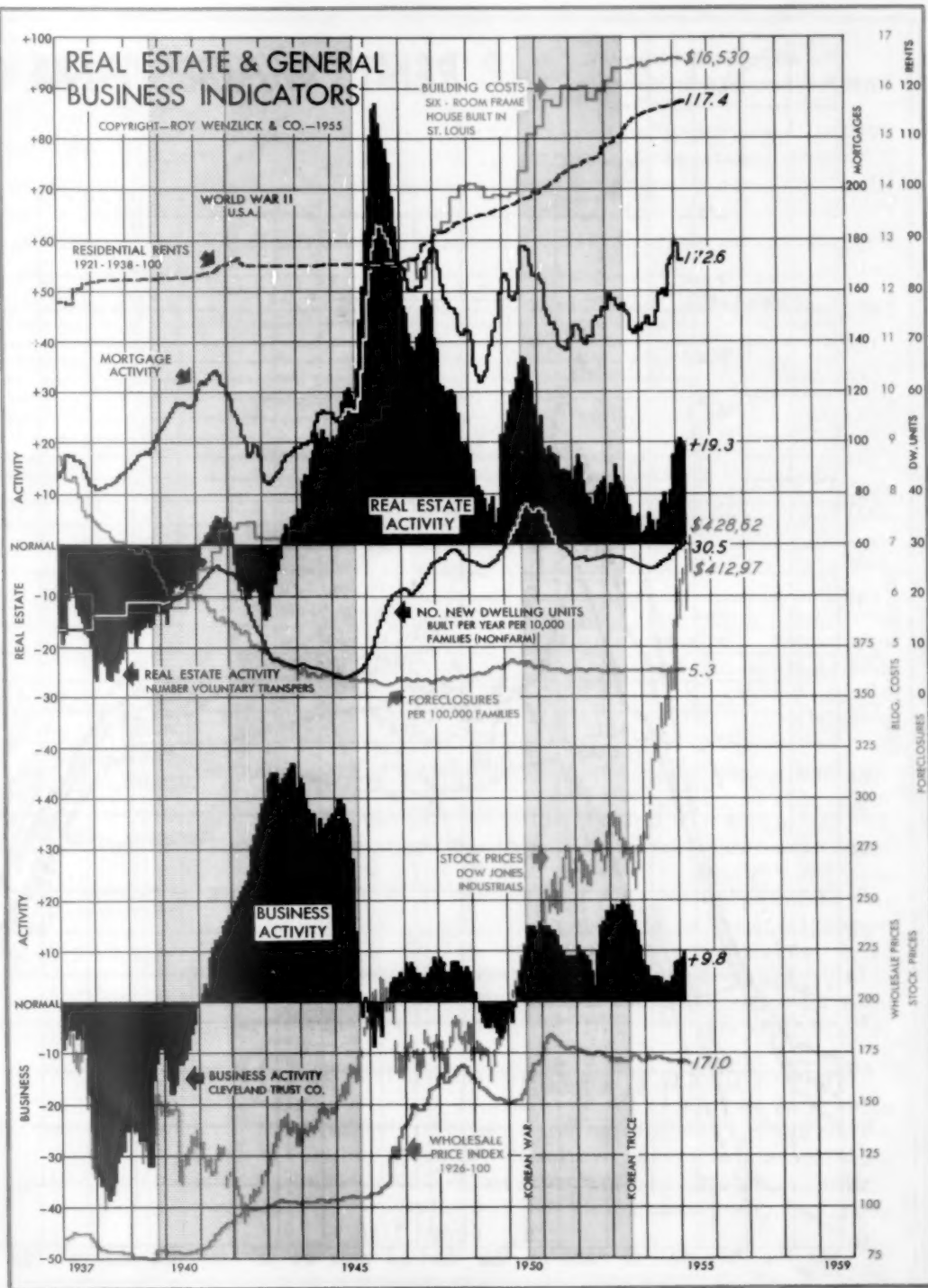
Home building has hung up another record. The 117,000 starts in March brought 1955's first quarter total to 295,000. This is 16,100 higher than the previous all-time high first quarter in

One of the questions in our nationwide mortgage survey dealt with the sale of new homes. The answers from 200 cities indicated that in virtually every city the sale of new homes was about in line with completions. There were some reports of lagging sales, but these were matched by reports of homes selling ahead of completions, and in some instances, selling before construction was started.

These encouraging reports were tempered by less optimistic comments from many sections. There were numerous lenders who attributed the rapid sales to 30-year no downs, and said that they were beginning to tighten. Others, perhaps more numerous, reported the housing shortage a thing of the past and a saturation point being reached. Still others mentioned that while sales continued to be in line with completions, there were definite signs of slowdowns. Some lenders reported that down-payment requirements of more than 10% caused a drastic lag in sales, while others reported more rental property on the market and rents falling slowly. There were several reports that builders were having to do a good deal more advertising than in 1954, and some builders were advertising "Move in for 1¢" and "Life insurance paid for 1 year" as sales gimmicks to speed up sales.

While not all of these comments necessarily mean a nationwide slowdown in sales, they do point to the fact that new-home sales are going to be slower in certain areas. They also emphasize what has been apparent for some time - that a few areas are already overbuilt, and some builders are going to have real trouble selling out. In a few areas builders are becoming concerned over sales and are holding up starts until they take a few orders from model homes.

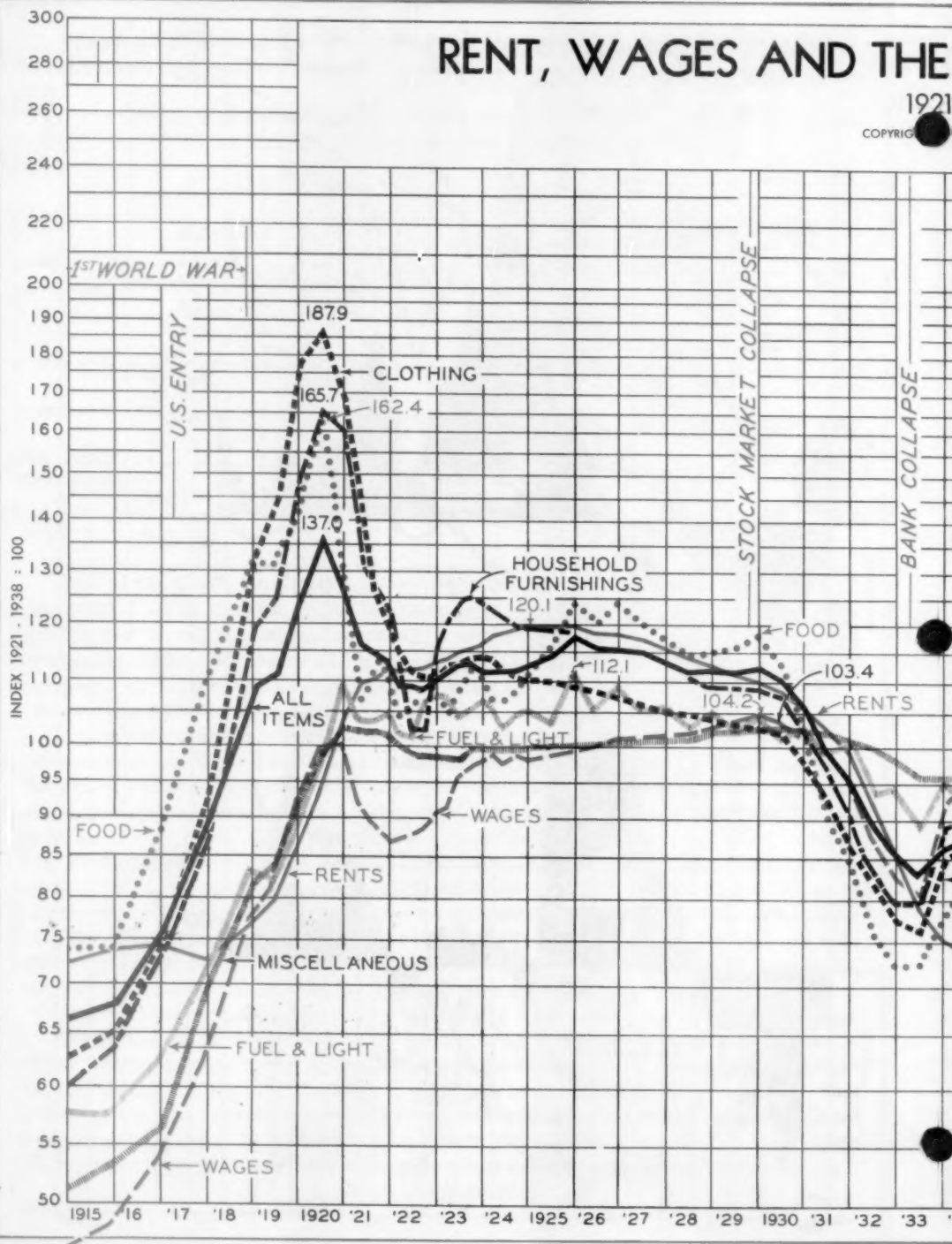
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RENT, WAGES AND THE

1921 38

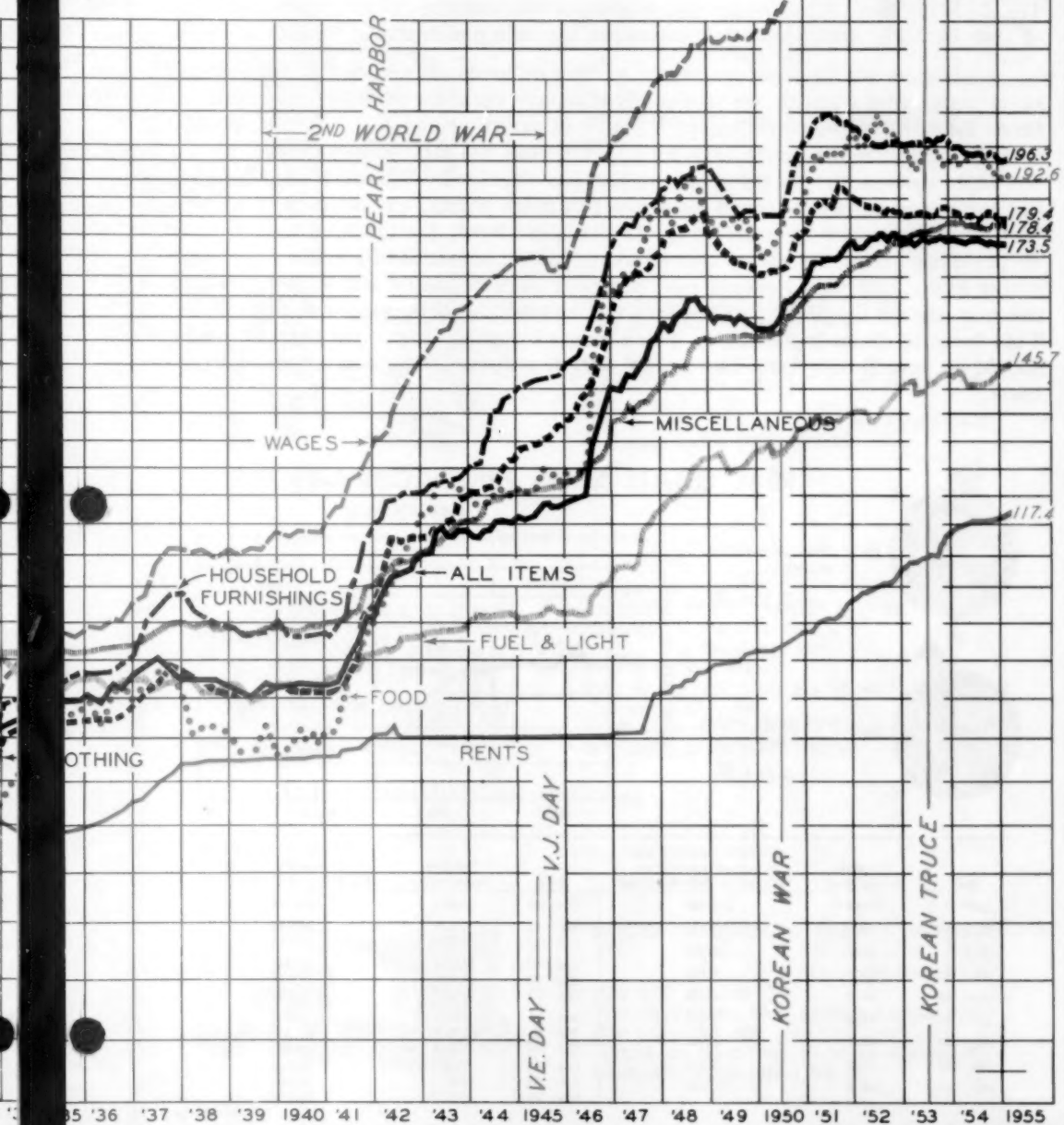
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COST OF LIVING IN THE U. S.

1938 = 100

STATISTICAL BUREAU OF THE U. S. DEPARTMENT OF COMMERCE - 1954

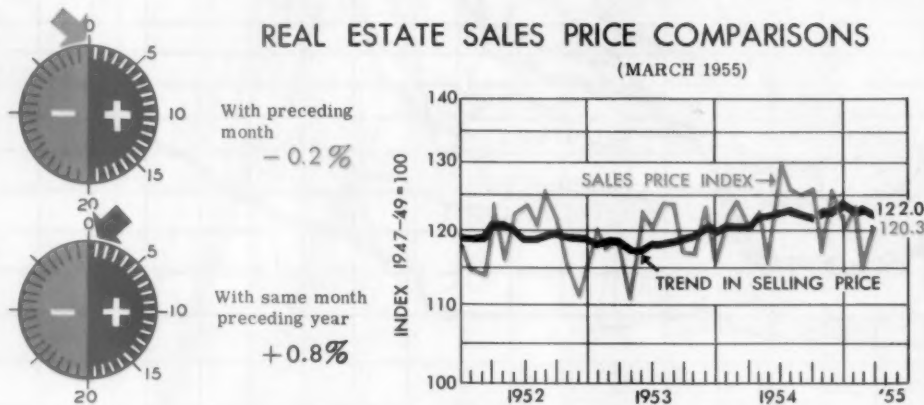


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RENTS, WAGES, AND THE COST OF LIVING

There was a great deal of apprehension among the proponents of rent controls when controls were dropped in August 1953. At that time the Bureau of Labor Statistics rent index stood at 112.4 (1921-38 = 100). The present reading of this index is 117.4, indicating a rise of less than 5%, which scarcely bears out the dire predictions of runaway rents.

Feeling as we do about the plight of the landlords as a result of their treatment under rent control, we frequently compare their lot with the protection offered farmers by the Government's policy of parity prices. Aside from the fact that the farmers are politically potent, whereas the landlords are not, we can see little reason for the treatment either has received. The entire farm policy has for years revolved around the concept of price parity, and billions of tax dollars have been spent to maintain it. On the other hand, the landlord has received no protection from the rising cost of living, which advanced 90% while rents were rising 24%. Although Federal rent controls were repealed almost 2 years ago, there is always the possibility that they will be restored at the slightest provocation. This form of class legislation, which was so popular for more than 10 years, should be specifically forbidden by law, or, if possible, by constitutional amendment.



Date	Trend in selling price	Probable selling price of a house that sold for \$12,000 in 1947-49 period	Date	Trend in selling price	Probable selling price of a house that sold for \$12,000 in 1947-49 period
1947-49	100.0	\$12,000	Oct. '48	104.5	\$12,540
1913	40.1	4,812	Mar. '52	120.9	14,510
1918	34.1	4,092	Oct. '52	119.4	14,330
Mar. '29	73.9	8,868	Jan. '53	118.6	14,230
May '32	34.8	4,176	May '53	117.6	14,110
Apr. '34	44.8	5,376	Oct. '53	119.7	14,360
July '37	40.1	4,812	Jan. '54	120.9	14,510
Apr. '38	42.8	5,136	May '54	122.6	14,710
Mar. '41	40.1	4,812	Oct. '54	122.3	14,680
			Jan. '55	122.3	14,680
			Feb. '55	122.2	14,660
			Mar. '55	122.0*	14,640*

*Preliminary.

INCREASES IN BUILDING COSTS SINCE 1939

ST. LOUIS
April 1955



SIX-ROOM BRICK HOUSE (FRAME INTERIOR)*

Content: 23,100 cubic feet
1,520 square feet

Cost 1939: \$ 6,400
(27.7¢ per cubic foot; \$ 4.21 per square foot)
Cost today: \$17,260
(74.7¢ per cubic foot; \$11.36 per square foot)
INCREASE OVER 1939 = 169.7%



FIVE-ROOM BRICK VENEER HOUSE*

Content: 24,910 cubic feet
1,165 square feet

Cost 1939: \$ 5,440
(21.8¢ per cubic foot; \$ 4.67 per square foot)
Cost today: \$15,011
(60.3¢ per cubic foot; \$12.88 per square foot)
INCREASE OVER 1939 = 175.9%



SIX-ROOM FRAME HOUSE*

Content: 24,288 cubic feet
1,650 square feet

Cost 1939: \$ 5,671
(23.4¢ per cubic foot; \$ 3.44 per square foot)
Cost today: \$16,530
(68.1¢ per cubic foot; \$10.02 per square foot)
INCREASE OVER 1939 = 191.5%



6-ROOM CALIFORNIA BUNGALOW - NO BASEMENT

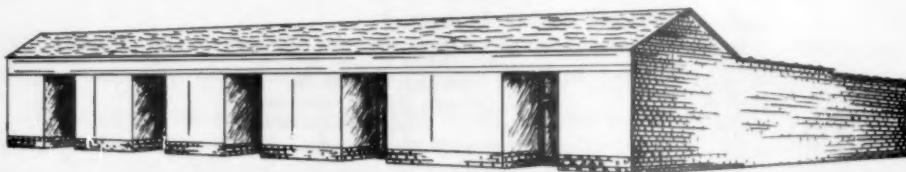
Content: 12,119 cubic feet
992 square feet

Cost 1939: \$3,392
(28.0¢ per cubic foot; \$3.42 per square foot)
Cost today: \$9,449
(78.0¢ per cubic foot; \$9.53 per square foot)
INCREASE OVER 1939 = 178.6%

*Costs include full basement.

INCREASES IN BUILDING COSTS SINCE 1939

ST. LOUIS
April 1955



COMMERCIAL BUILDING - NO BASEMENT

Content: 115,850 cubic feet
8,075 square feet

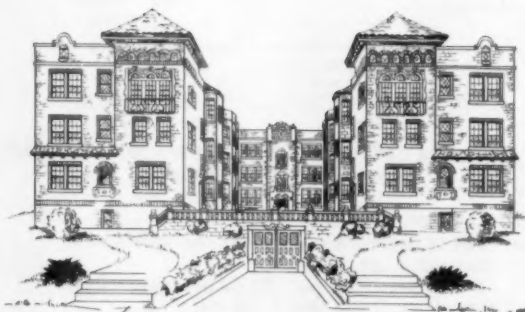
Cost 1939: \$22,726
(19.6¢ per cubic foot; \$2.82 per square foot)
Cost today: \$62,397
(53.9¢ per cubic foot; \$7.73 per square foot)
INCREASE OVER 1939 = 174.6%



18-FAMILY BRICK APARTMENT (FRAME INTERIOR)*

Content: 168,385 cubic feet
13,260 square feet

Cost 1939: \$ 60,300
(35.8¢ per cubic foot; \$ 4.55 per sq. ft.)
Cost today: \$164,568
(97.7¢ per cubic foot; \$12.41 per sq. ft.)
INCREASE OVER 1939 = 172.9%



30-UNIT REINFORCED CONCRETE APARTMENT*

Content: 303,534 cubic feet
21,372 square feet

Cost 1939: \$135,000
(44.5¢ per cubic foot; \$ 6.33 per sq. ft.)
Cost today: \$351,368
(\$1.16 per cubic foot; \$16.44 per sq. ft.)
INCREASE OVER 1939 = 160.3%

*Costs include full basement.